

## **Capital Variance Report for the Quarter Ended March 31, 2009**

<b>Date:</b>	May 15, 2009
<b>To:</b>	Budget Committee
<b>From:</b>	Deputy City Manager and Chief Financial Officer
<b>Wards:</b>	All
<b>Reference Number:</b>	P:\2009\Internal Services\FP\Bc09012Fp (AFS# 9905)

### **SUMMARY**

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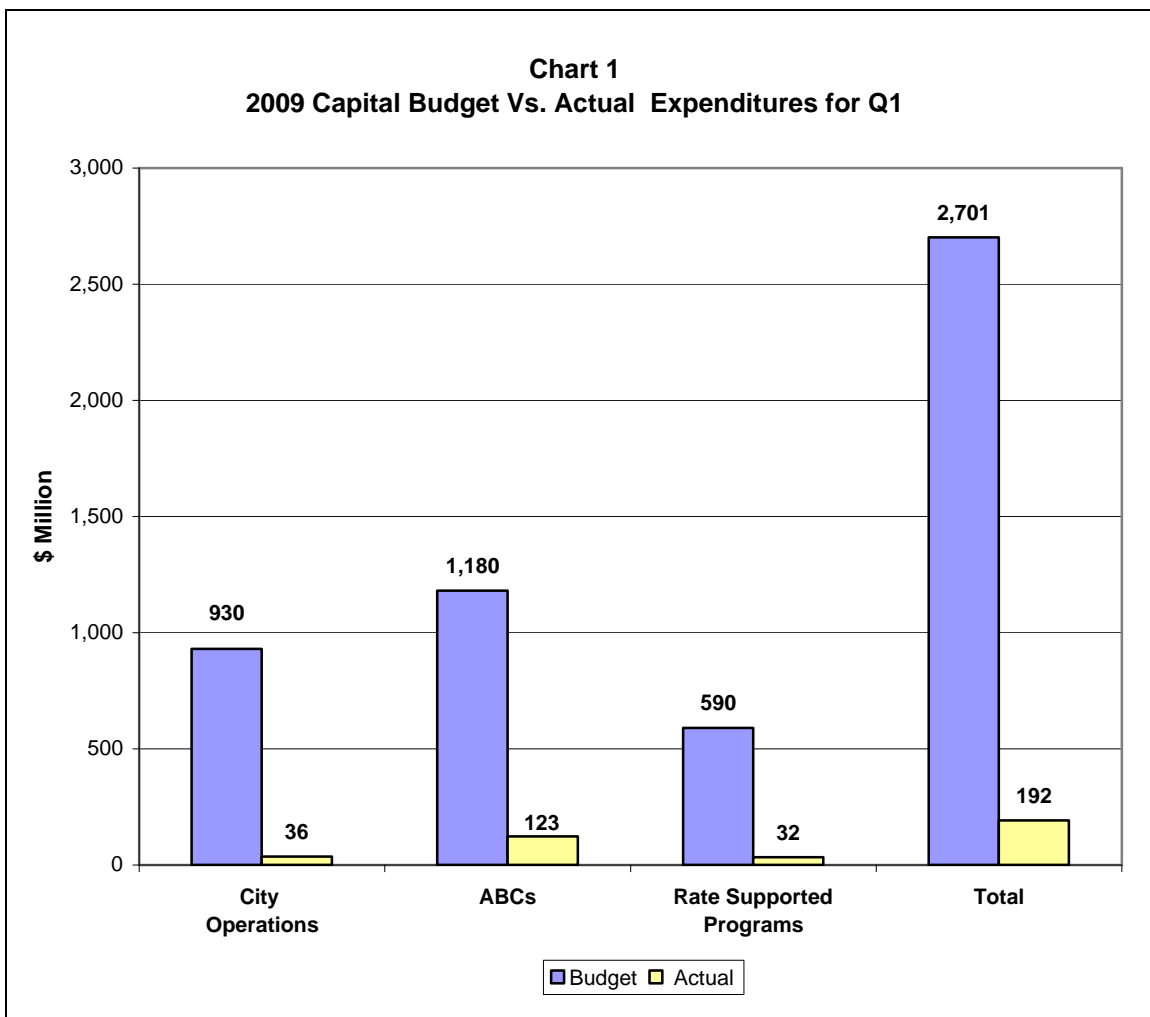
The purpose of this report is to provide the City of Toronto Capital Variance for the three months ended March 31, 2009, projected actual expenditures to December 31, 2009 and to request Council's approval for in-year budget adjustments and additional carry forward funding.

Capital expenditures for the three months ended March 31, 2009 totalled \$191.913 million or 7.1% of the 2009 Approved Capital Budget of \$2.700 billion. Tax Supported Programs spent \$159.443 millions, representing 7.6% of their collective 2009 Approved Capital Budget of \$2.110 billion (see Appendix 1). City Operations spent \$36.441 million or 3.9% of its 2009 Approved Capital Budget of \$930.178 million; while Agencies, Boards and Commissions (ABCs) spent \$123.002 million or 10.4% of their collective 2009 Approved Capital Budget of \$1.180 billion. In total, Rate Supported Programs spent \$32.469 million or 5.5% of their 2009 Approved Capital Budget of \$590.063 million (see Chart 1). This spending pattern is consistent with prior years; typically, capital project activities tend to be concentrated in the latter half of the year; therefore, capital-spending rates will accelerate in future months in accordance with capital project plans and schedules.

As detailed in Appendix 1, projected actual expenditures to year-end are estimated at \$2.367 billion or 87.7% of the total 2009 Approved Capital Budget of \$2.700 billion. Tax Supported Programs project spending to year end of 90.4%; while Rate Supported Programs project spending of 77.8% of their total 2009 Approved Capital Budget. It is noted that, except for 311Customer Service Strategy (62%), Sustainable Energy Plan

(62%) and Sony Centre (46%), all City Programs and Agencies, Board and Commissions anticipate spending of more than 70% of their individual 2009 Approved Capital Budgets by year end.

In accordance with the City’s Carry Forward Policy, this report requests approval to carry forward funds for unspent 2008 approved capital project budget as well as 2007 and earlier years approved capital projects not previously identified and included in the 2009 Approved Capital Budget. The additional carry forward funding request totals \$203.993 million as detailed in Appendix 3.1 for 2008 approved capital projects; funding for 2007 and prior years approved capital projects totals \$8.804 million with no increase to the 2009 Council Approved debt funding as shown in Appendix 3.2.



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## RECOMMENDATIONS

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The Deputy City Manager and Chief Financial Officer recommends that:

1. Council approve the budget and technical adjustments to the 2009 Approved Capital Budget as detailed in Appendix 2 attached.
2. Council approve the creation of a new capital project entitled “194 Dowling Avenue Acquisition” to be added to the Shelter, Support and Housing Administration 2009 Approved Capital Budget with a 2009 cash flow of \$0.699 million gross to be funded from the Development Charge Reserve Fund.
3. Council approve carry forward funding for unspent 2008 capital projects totalling \$203.993 million gross and funding sources as detailed in Appendix 3.1, in order to continue work on 2008 approved capital projects, and that the 2009 Approved Capital Budget be increased accordingly with no impact on debt funding.
4. Council approve carry forward funding for unspent 2007 and prior year capital projects totalling \$8.753 million with no incremental increase on the 2009 Council approved debt funding as detailed in Appendix 3.2, and that the 2009 Approved Capital Budget be adjusted accordingly.
5. The Budget Committee forward this report to the Executive Committee for its consideration.

## FINANCIAL IMPACT

As summarized in Table 1 below, for the three months ended March 31, 2009, actual expenditures for Tax Supported Programs totalled \$159.443 million or 7.6% of its 2009 Approved Capital Budget of \$2.110 billion. Rate Supported Programs spent \$32.470 million or 5.5% of their 2009 Approved Capital Budget of \$590.063 million.

In accordance with the City's Carry Forward Policy, this report requests additional 2008 carry forward funding of \$148.772 to enable City Programs and ABCs to continue work on previously approved projects that were not completed in 2008 as planned. This funding will increase 2009 cash flows. In addition, the report requests Council authority to carry forward funding for 2007 and prior year capital projects totalling \$8.804 million. It is noted that in accordance with the Carry Forward Policy, carry forward of debt funding have been offset by adjusting other debt funded projects in order to ensure that the 2009 Council approved debt is not increased.

In compliance with prudent financial management practices, debt is issued only when needed to finance actual or committed capital expenditures. This strategy minimizes the incurrence of debt service costs and the resultant impact on the Operating Budget.

	2009 Approved Budget	Actual Expenditures - January 1 to March 31, 2009		Projected Actual to Year-End	
		\$000	%	\$000	% of Plan
<b>Tax Supported Programs:</b>					
Citizen Centred Services - "A"	189,488	10,164	5.4	162,376	85.7%
Citizen Centred Services - "B"	468,559	13,217	2.8	352,570	75.2%
Internal Services	179,302	6,991	3.9	158,347	88.3%
Other City Programs	92,830	6,069	6.5	76,780	82.7%
Agencies, Boards & Commission	1,180,375	123,002	10.4	1,158,148	98.1%
<b>Total - Tax Supported</b>	<b>2,110,554</b>	<b>159,443</b>	<b>7.6</b>	<b>1,908,221</b>	<b>90.4%</b>
<b>Rate Supported Programs:</b>					
Toronto Parking Authority	30,495	2,239	7.3	29,995	98.4%
Solid Waste Management	61,130	1,323	2.2	52,195	85.4%
Toronto Water	498,438	28,908	5.8	376,748	75.6%
<b>Total Rate Supported</b>	<b>590,063</b>	<b>32,470</b>	<b>5.5</b>	<b>458,938</b>	<b>77.8%</b>
<b>Total</b>	<b>2,700,617</b>	<b>191,913</b>	<b>7.1</b>	<b>2,367,159</b>	<b>87.7%</b>

## ISSUE BACKGROUND

This report is provided pursuant to good business practice and budgetary control. As part of the City's accountability framework, capital variance reports are submitted to

Committees and Council on a quarterly basis in order to provide information on how the approved capital works program is progressing, and on an exception basis, to identify issues that require direction from, and/or decisions from Council. The report details capital spending performance for the quarter ended March 31, 2009. It identifies factors that negatively impact capital spending plans and, where relevant, proposes appropriate corrective action.

## COMMENTS

At its meeting of December 10, 2008 Council approved a 2009 Tax-Supported Capital Budget of \$1.637 billion and on November 6, 2008 Council approved a 2009 Rate-Supported Capital Budget of \$514.223 million for a total Tax and Rate-Supported 2009 Capital Budget of \$2.151 billion. The 2009 Rate-Supported Capital Budget consists of \$429.838 million for Toronto Water, \$27.930 million for Toronto Parking Authority and \$56.455 million for Solid Waste Management. After additional 2008 carry forward funding, the 2009 Adjusted Capital Budget is \$2.700 billion. Capital spending performance for each Program and Agency, Board and Commission for the year-ending March 31, 2009 is discussed below.

## CAPITAL VARIANCE BY PROGRAM / ABC

### Citizen Centred Services "A"

For the three months ended March 31, 2009, actual capital expenditures for this Cluster totalled \$10.164 million or 5.4% of the 2009 Approved Capital Budget of \$189.488 million (including 2008 carry forward funding) for this Cluster. Capital spending for Citizen Centred Services "A" is expected to increase to \$162.375 million or 85.7% by year-end. Capital spending performance, including explanations of significant under-spending for Programs within this Cluster is summarized below:

<b>Citizen Centred Services "A"</b>		
Q1 2009 Capital Variance		
(\$ Million)		
	<b>March 31, 2009</b>	<b>Projected Y/E</b>
	% of Budget	% of Budget
311 Customer Service Strategy	8.8	66.0
Children's Services	0.9	100.0
Court Services	0.1	100.0
Economic Development & Tourism	1.4	74.5
Emergency Medical Services	3.6	99.2
LTCHS (Homes for the Aged)	20.7	100.0
Parks, Forestry & Recreation	4.3	85.8
Shelter, Support and Housing Administration	17.1	92.3
Toronto Employment and Social Services	11.0	100.0
<b>Sub-Total</b>	<b>5.4</b>	<b>85.7</b>

**311 Customer Service Strategy's** actual expenditures for the quarter ended March 31, 2009 totalled \$1.459 million or 8.8% of its 2009 Approved Capital Budget of \$16.583 million. Based on revised project schedule milestones, it is expected that \$10.945 million or 66.0 % of the 2009 Approved Capital Budget will be spent by year-end. The under spending is primarily due to scheduling changes that have impacted project timelines. The remaining 2009 funds will be carried over into early 2010 to complete Phase II. The Project Launch remains on schedule.

**Children's Services** spent \$0.097 million (\$0.112 million in *New Child Care Centres*, offset by \$0.015 million in recoveries from 2008 contractor settlements for *Health and Safety Playground*) or 0.9% of the 2009 Approved Capital Budget of \$10.686 million at the end of the first quarter of 2009, and projects that the budget will be fully spent by year. First quarter spending highlights include the following:

- *Health and Safety Playground* project, with an approved cash flow of \$5.0 million, will be fully spent by year-end, subject to receiving the \$4.0 million provincial funding contribution (80%). In the event that the Provincial contribution is not received, the City's \$1.0 million (20%) portion will be 100% spent. Already, project requests have been received and approved.
- The *New Child Care Centres* project approved 2009 cash flow of \$4.086 million was \$0.112 million or 3% spent at the end of the first quarter of 2009. Actual expenditures were incurred for construction work at the *Thornccliffe Park Centre* which will be completed by the fall; as at the end of the first quarter no expenditures were incurred for the Chester Le and St Andrew and Centre D sub-projects due to delays in construction phases, including reviewing feasibility studies, finalizing architectural designs and concluding negotiations with school boards and service providers.
- The *Regent Park Child Care Centre* project, with an approved cash flow of \$1.250 million, had no spending during the first quarter of 2009. Completion of this project will be delayed to 2010 as a result of delays in site selection associated with the Regent Park revitalization.
- Municipal Child Care Services State of Good Repair, with an approved 2009 cash flow of \$0.3 million, had no spending at the end of March 2009. The project will be fully spent by year-end, once project requests are received and approved.

2008 carry forward funding of \$0.050 million for the *118 Enderby Child Care Centre* project is recommended in order to complete the project.

**Court Services** spent \$0.003 million or 0.1% of its 2009 Approved Capital Budget of \$3.418 million during the first quarter of 2009. All projects are fully funded from the Provincial Offences Court Stabilization Reserve. While all projects are in progress and on schedule, the under-spending is mainly attributed to timing of payments to vendors. Payments for the ongoing work generally take place near project completion and

inspection. Court Services projects that 100% of its 2009 Approved Capital Budget will be spent by year-end.

***Economic Development, Culture and Tourism*** spent \$0.3 million or 1.4% of its 2009 Approved Capital Budget of \$21.647 million (including 2008 carry forward) during the first quarter of 2009. Capital spending is expected to reach \$16.414 million or 75.8% of the 2009 Approved Capital Budget at year-end. The projected year-end under spending is mainly due to the following projects.

- *Fort York Adding New Buildings* project has been delayed due a extension of the design competition.
- *Casa Loma Restoration* has been delayed by a film shoot on location.
- *Guild Inn Site* project has been delayed due to renewed negotiations with a funding partner to develop a new facility on the site.
- *John Street Roundhouse* project has been delayed because of landscaping delays this spring.

***Emergency Medical Services (EMS)***: Capital expenditures for the three months ended March 31, 2009 totalled \$0.339 million or 3.6% of the 2009 Approved Capital Budget of \$9.333 million. EMS projects actual expenditures to year-end of \$9.258 million or 99.2%. EMS has deferred cash flows for Stations 17 & 18 projects to 2010 and accelerated the completion of Station 29 and Asset Management projects by the end of 2009 in order to be consistent with Facilities and Real Estate's revised timelines for these projects.

***Long-Term Care Homes & Services*** spent \$1.982 million or 20.69 % of its 2009 Approved Capital Budget of \$9.583 million (which includes recommended 2008 carry forward funding of \$1.984 million). Contracts amounting to \$7.022 million or 73% of the approved cash flow have been tendered and issued. All Long-Term Care Homes & Services projects are in process and on target. The Program projects that 100% of its 2009 Approved Capital Budget will be spent by year-end.

***Parks, Forestry and Recreation*** spent \$4.703 million or 4.3% of its 2009 Approved Capital Budget of \$109.268 million, by the end of the first quarter of 2009. Capital spending is expected to reach \$93.768 million or 85.8% of the 2009 Approved Capital Budget by year-end. The projected under-spending is mainly due to the following projects:

- *Outdoor Recreation Centre*; under-spending of \$1.5 million or 21% of approved cash flow of \$7.115 million is projected since \$1.0 million will not be spent at the St. Mathews Lawn Bowling Club due to scheduling delays and the POL donation has not yet been received for the Panorama Court cricket field;

- *Park Development*: under-spending of \$3.0 million or 20% of approved cash flow of \$15.253 million is projected since the CP PS Lead - Phase 2 may not be completed by year end and the Dogs Off Leash Area fencing budget for 2009 will not be fully spent this year as not all of the parks are ready for implementation;
- *Playgrounds/Waterplay*: under-spending of \$0.5 million or 12% of approved cash flow of \$4.050 million is projected since wading pool construction will not be starting until the fall;
- *Pools*: under-spending of \$4.0 million or 53% of an approved cash flow of \$7.600 million is anticipated, primary due to the delays in coordinating with the TCH redevelopment;
- *Arenas*: under-spending of \$0.5 million or 5% of approved cash flow of \$9.730 million is expected since the Arena Capital Asset Maintenance (CAMP) and Col. Sam Smith Outdoor Rink sub-projects will not be completed as community opposition to both projects has delayed the process;
- *Community Centres*: under-spending of \$4.0 million or 13% of the approved cash flow of \$30.183 million is projected. The Warden Corridor Community Centre will be tendered later than originally scheduled and the York Community Centre will not be spending construction funding in 2009 as the project will not be tendered this year. The Program is working on developing an acceptable site plan in order to submit for Site Plan Approval and an Official Plan Amendment for development of the site;
- *Special Facilities*: under-spending of \$2.0 million or 21% of an approved cash flow of \$9.435 million is expected since the ferry vessels cannot be scheduled to go into dry dock for maintenance works until year end.

***Shelter, Support and Housing Administration (SSHA)*** spent \$0.834 million or 17.1% of its 2009 Approved Capital Budget of \$4.867 million at the end of the first quarter; and project that actual spending will increase to 92.3% by year-end. Authority is requested to carry forward funding totalling \$3.192 million to complete 2008 capital projects which were behind schedule.

First quarter spending highlights include the following:

- *129 Peter Street Shelter* project spending during the first quarter of 2009 totalled \$0.301 million or 32% of an approved 2009 cash flow of \$0.947 million. Because of construction delays in 2008 due to asbestos removal and difficulties with sewage connection; the revised completion date is fall 2009. A 2008 carry forward funding adjustment of \$1.587 million is requested to complete the sub-project in 2009.
- *Eva's Youth Shelter* project spending to date is \$0.123 million, with year-end spending projected to be \$0.447 million. This project was delayed in 2008, due to



difficulties with the storm water connection. As no budget is in place for 2009, a 2008 carry forward funding adjustment of \$0.447 million is requested in order to complete it in 2009.

- Development of IT projects: 2009 approved cash flow of \$1.576 million for *Social Housing Administration System* was \$0.184 million or 12% spent during the first quarter of 2009; system testing and a partial roll-out of selected modules will commence in the second quarter.
- The *Shelter Management Information System* project's 2009 approved cash flow of \$0.744 million had no spending during the first quarter of 2009. Although the pilot and training phases of this project continue into 2009, all shelters will be networked by year-end.
- *AHO Information Tracking Systems* 2009 approved cash flow of \$0.3 million experienced no spending during the first quarter of 2009. Hiring of a project team is currently underway. A 2008 carry forward funding adjustment of \$1.092 million is recommended for the *Social Housing Administration System* in order to complete this sub-project in 2009.
- The *Shelter Development* project 2009 approved cash flow of \$0.350 million had no spending during the first quarter of 2009. Facility assessments and land value appraisals have begun, and spending will accelerate in the second half of the year, as the studies near completion.
- The *Capital Repairs/ Replacements for City Operated/ Leased Shelters* project's 2009 approved cash flow of \$0.950 million was 24% spent during the first quarter of 2009; project tendering is well under way and it is expected that the project will be completed in 2009. 2008 carry forward funding of \$0.148 million is requested in order to complete this capital project in 2009.

***Toronto Employment & Social Services (TESS)*** spent \$0.450 million or 11% of its 2009 Approved Capital Budget of \$4.102 million (inclusive of 2008 carry forward funding) during the first quarter of 2009. TESS projects that the 2009 approved cash flow will be fully spent by year-end. All projects are fully funded by provincial subsidies dedicated to technology for the OW program.

- The *WAYS - Phase 1* (external web-enabled interactive tools) project was launched successfully in November 2008 and final payments were made during the first quarter of 2009. Carry forward funding in the amount of \$0.743 has been requested to accommodate further enhancements to this project required to address OW rate changes.
- The *Employment Assistance - Phase 1* project is on schedule with the first module implemented, while development work for the second module is continuing.

- The Contract Management Office (CMO) is expecting to finalize a contract with Oracle in 2009 for development of an interactive dashboard for the *MIS-Data Mart - Phase 1* project.
- The *Case Management - Phase 1* project is in the planning stage.
- A Business Case for the *WAYS - Phase 2* project was submitted to the Province followed by a presentation to the joint Online Application Pilot Steering Committee (Province & City). Funding negotiations are ongoing.

### **Citizen Centred Services “B”**

For the three months ended March 31, 2009, actual capital expenditures for this Cluster totaled \$13.217 million or 2.8% of the 2009 Approved Capital Budget of \$468.558 million (including 2008 carry forward funding) for this Cluster. Capital spending for Citizen Centred Services “B” is expected to increase to \$352.570 million or 75.0% of the 2009 Approved Capital Budget by year-end. Spending performance, including explanations of significant variances for Programs within this Cluster, is summarized below:

<b>Citizen Centred Services "B"</b>		
Q1 2009 Capital Variance (\$ Million)		
	<b>March 31, 2009</b> % of Budget	<b>Projected Y/E</b> % of Budget
City Planning	5.1	91.4
Policy, Planning, Finance and Administration	4.1	72.1
Fire Services	8.8	98.8
Transportation Services	3.1	71.5
Climate Change	1.7	100.0
Waterfront Revitalisation Initiative	0.4	89.9
<b>Sub-Total</b>	<b>2.8</b>	<b>75.2</b>

*City Planning's* capital expenditures for the three months ended March 31, 2009 totalled \$0.449 million or 5.1% of its 2009 Approved Capital Budget of \$8.733 million. Projected actual spending to year-end is expected to be \$7.981 million or 91.4% of its 2009 Approved Capital Budget. The majority of the Program's projected year-end under spending is attributed to the following:

- *2009 Civic Improvement* projects, which include Routes and Places projects, are expected to have expenditure of \$1.916 million or 75.0% of a 2009 approved cash flow of \$2.555 million by year-end. It is anticipated that these projects which are currently underway will be completed by 2010 resulting in 2009 under spending of \$0.639 million.

**Policy, Planning, Finance and Administration's (PPF&A)** capital expenditures for the three months ended March 31, 2009 totalled \$0.464 million or 4.1% of its 2009 Approved Capital Budget of \$11.281 million. Policy, Planning, Finance and Administration is projecting that \$8.134 million or 72.1% of its 2009 Approved Capital Budget will be spent by year-end.

The following capital projects will be significantly spent by December 31, 2009:

- *Business Sustainment Systems* project –actual expenditures to year-end of \$3.266 million or 59.8% of the 2009 approved cash flow are projected. Spending on the MLS Enhanced Computer Technologies project is lower than anticipated due to delays in completing the Request for Quotes. This project is currently under review and the scope of the project will be redefined.
- *Asset Preservation 2009* – it is projected that spending will approximate \$0.996 million or 99.4% of the 2009 approved cash flow for this project.
- *Mainframe Application Replacement* project– actual expenditures of \$1.800 million or 87.7% of the 2009 approved cash flow are expected by year-end. The project is progressing as planned with 2 more systems to be completed by the first half of 2009. Four more systems need to be completed and it is expected that this will occur by mid 2010.

**Fire Services** spent \$0.728 million or 8.8% of its 2009 Approved Capital Budget of \$8.316 million during the quarter ended March 31, 2009. The approved cash flow includes carry forward funds of \$2.081 million. Actual spending to year-end is projected to be \$8.220 million or 98.8% of the 2009 Approved Capital Budget. Year -to-date spending is mainly attributed to the following projects:

- The *Toryork Bays Extension* project's expenditures during the first quarter of 2009 totalled \$0.397 or 18 % of a total 2009 approved cash flow of \$2.187 million. The project construction phase was delayed for necessary approvals in 2008 but now is well underway and will be completed by year-end.
- The *HUSAR/JEPP 09/10* project actual expenditures during the first quarter of 2009 totalled \$0.306 or 77% of a total 2009 approved cash flow of \$0.400 million. This project is completed in compliance with the Federal March 31, 2009 fiscal year deadline for the 75/25 percent cost sharing arrangements.

**Transportation Services** capital expenditures for the quarter ended March 31, 2009 totalled \$11.265 million or 3.1% of a 2009 Approved Capital Budget of \$368.511 million. Transportation Services is projecting that \$263.573 million or 71.5% of its 2009 Approved Capital Budget will be spent by year-end.

Transportation Services capital works program consists of two main categories of capital projects: State Of Good Repair and Infrastructure Enhancement.

- Spending for State of Good Repair projects for bridges, local and major roads and expressways to March 31, 2009, totalled \$5.934 million or 3.5% of the 2009 approved cash flow. Projected spending rate at year-end is expected to be 86.8% (\$145.960 million). The projected major expenditures to year-end include the following: local and major road reconstruction and resurfacing (\$69.124 million), sidewalk construction (\$10.715 million), rehabilitation and repair of city bridges (\$53.368 million) and resurfacing and repairs to the Gardiner Expressway and Don Valley Parkway (\$24.485 million).

Spending on Infrastructure Enhancement projects totalled \$5.331 million or 2.7% of the 2009 approved cash flow and is projected to increase to \$117.613 million or 58.7% spent by year-end. The projected major expenditures to year-end include work on the following projects:

- The *St. Clair Dedicated Right of Way* project is projected to be \$50.566 million or 100% spent at year-end. This project is progressing on schedule.
- The *Bloor Street Transformation* project is projected to be \$7 million or 31.3% spent at year-end out of 2009 approved cash flow of \$22.389 million. The project has been tendered and awarded and construction has begun. Progress on the project had been delayed by a court challenge and adjustments to schedules arising from the need to accommodate the local BIA's expressed intent to minimize disruptions during seasonal shopping period in December.
- The *Dufferin Jog Elimination* project is projected to be \$20 million or 73.6% spent at year-end out of its 2009 approved cash flow \$27.163 million. Construction delays result from design changes and coordination obstacles with the railways; however tenders have been issued and work is proceeding. The project is expected to be fully completed by spring 2011.

**Toronto Environment Office** spent \$0.025 million or 1.7% of its 2009 Approved Capital Budget of \$1.525 million. The Toronto Environment Office (TEO) is projecting that \$1.525 million or 100% of its 2009 Approved Capital Budget will be spent by year-end. The projected major expenditures in 2009 include the following:

- *Live Green Toronto* - The program expects to spend \$0.693 million or 100% of the 2009 approved cash flow. Implementation of community projects and animators is currently underway and the Live Green Toronto Festival has been planned for later this summer in July.
- *Climate Change Adaptation Plan* – The Request For Proposal will be released in May and \$0.350 million or 100% of the 2009 approved cash flow will be spent by end of the year.

- *Eco Roof Program* was launched in March, funds will be allocated in June and it is expected that \$0.200 million or 100% of the 2009 approved cash flow will be spent by year-end.

**Waterfront Revitalization Initiative's** capital expenditures for the three months ended March 31, 2009 totalled \$0.285 million or 0.4% of its 2009 Approved Capital Budget of \$70.193 million. The Program is projecting spending of 89.9% of the 2009 Approved Capital Budget by year-end.

No City funds have been released to Waterfront Toronto to-date pending the completion of a Memorandum of Understanding between the City and Waterfront Toronto that specifies the deliverables that will be achieved on a project-by-project basis as a result of the 2009 tri-government investment in Waterfront Revitalization. This document is expected to be completed in June 2009.

### **Internal Services**

For the three months ended March 31, 2009 actual capital expenditures for Internal Services' Programs totalled \$6.990 million or 3.9% of their collective 2009 Approved Capital Budget of \$179.302 million (including 2008 carry forward funding). Capital spending for Internal Services is expected to increase to \$158.347 million or 88.3% of the 2009 Approved Capital Budget by year-end. Spending performance for Internal Services Programs is summarized below:

<b>Internal Services</b>		
Q1 2009 Capital Variance (\$ Million)		
	<b>March 31, 2009</b> % of Budget	<b>Projected Y/E</b> % of Budget
Facilities & Real Estate	1.5	97.1
Financial Services	5.5	84.7
Fleet Services	6.3	82.7
Information Technology	3.1	86.5
<b>Sub-Total</b>	<b>3.9</b>	<b>88.3</b>

**Facilities and Real Estate (F&RE)** spent \$0.833 million or 1.5% of its 2009 Approved Capital Budget of \$54.650 million. The spending rate is consistent with project schedules for construction. Typically, the majority of cash flow funding is spent in the third and fourth quarters, after construction is tendered and awarded. The Program is projecting spending of \$53.042 million or 97.1% of the 2009 Approved Capital Budget by year-end.

The projected spending rate includes deferral of a number of smaller projects for which the 2009 Approved Capital Budget will not be spent due to minor unanticipated delays in implementation. Contract awards for some of the largest capital projects such as

electrical, mechanical and HVAC upgrades at Old City Hall, mechanical and electrical upgrades at Toronto Police Service Headquarters and the Capital Asset Management Software System, that account for approximately \$9.800 million or 18% of the 2009 Approved Capital Budget, are currently in the process of obtaining the appropriate Council approval. It is anticipated that the spending in these projects will increase significantly following the contract award approvals, thus enabling the Program to achieve the projected year-end spending rate.

**Financial Services'** capital spending for the three months ended March 31, 2009 totalled \$0.842 million or 5.5% of its 2009 Approved Capital Budget of \$15.342 million (inclusive of \$1.286 million of 2007 and prior years carry forwards funding and \$4.529 million of the 2008 carry forward funding). Financial Services' projected expenditures to year-end are anticipated to be \$12.996 million or 84.7% of the 2009 Approved Capital Budget.

Delays in a number of initiatives are the primary causes for the projected year-end under-spending which is mainly attributed to the following:

- *Workflow and Document Management and Imaging projects* - Implementation was suspended for most of 2008 due to contract issues between the City and the proponent. As a result, no expenditures are anticipated for 2009 as the original scope is being revised and the entire 2009 cash flow amount of \$0.772 million is expected to be carried forward to 2010.
- The *Fixed Asset Record System* project system implementation has been postponed to early 2010 to align this project with other SAP initiatives resulting in under-spending of \$0.669 million to be carried forward to 2010.
- The *Parking Tag Management Software Upgrade* project will be under-spent by \$0.308 million as this project is on hold until the requirements are known from the Alternate Dispute Resolution (ADR) On-line capital project which is projected to be under-spent by \$0.100 million.
- A delay in finalizing Local 79 wage harmonization has resulted in under-spending in the Collective Agreement Implementation project of \$0.100 million.

**Fleet Services'** capital spending for the three months ended March 31, 2009 totalled \$3.758 million or 6.3% of the 2009 Approved Capital Budget of \$59.197 million, inclusive of 2008 carry forward funding of \$3.564 million.

Fleet Services' projected expenditures to year end will be \$48.936 million or 82.7% of its 2009 Approved Capital Budget. The projected under-spending of \$10.261 million is primarily due to the delay in procurements resulting from specification development with Divisions for vehicles with special equipment, such as excavators, loaders, and combination sewer vacuum/cleaners for specific business operations.

**Information and Technology's** capital spending for the three months ended March 31, 2009 totalled \$1.557 million or 3.3% of its 2009 Approved Capital Budget of \$50.113 million. The 2009 Approved Capital Budget of \$46.681 million has been adjusted to reflect the additional carry forward funding of \$3.432 from 2008 into 2009. Information and Technology's projected expenditures to year end is expected to be \$43.372 million or 86.5% of its 2009 Approved Capital Budget. The projected under spending of \$3.741 million is primarily due to:

- SAP projects: Project initiation is subject to confirmation/prioritization by the SAP Steering Committee. Focus has shifted from several SAP projects, such as the *SAP Foundation Upgrade*, the *SAP Collaborative Value Assessments*, *Data Warehouse Implementation* to the *Financial Planning, Analysis and Reporting Systems* project.
- Strategic Planning projects: Several e-City projects, including *e-City Information Security*, *e-City Architecture*, and *Information Technology Infrastructure Library Best Practices Implementation* are delayed due to recruitment challenges being experienced in the industry for candidates with the necessary skills.
- Data Centre: *The Data Centre Expansion*, and the *Consolidated Data Centre* project are expected to realize some savings from the estimated cost of feasibility studies.
- Sustainment Program: Savings will be derived in hardware purchases as a result of better pricing and effective contract negotiations.

### **Other City Programs**

For the three months ended March 31, 2009, actual capital expenditures for Other City Programs totalled \$6.098 million or 6.5% of the 2009 Approved Capital Budget of \$92.829 million. Capital spending for these Programs is expected to increase to \$76.780 million or 82.7% of their collective 2009 Approved Capital Budget by year-end. Spending performance, including explanation of significant variances for Programs within this group is summarized below:

<b>Other City Programs</b>		
Q1 2009 Capital Variance		
(\$ Million)		
	<b>March 31, 2009</b>	<b>Projected Y/E</b>
	<b>% of Budget</b>	<b>% of Budget</b>
City Clerk's Office	31.5	81.9
Sustainable Energy Plan	0.2	62.0
Union Station	3.7	97.8
Radio Replacement Project	4.5	100.0
<b>Sub-Total</b>	<b>6.5</b>	<b>82.7</b>

**City Clerk's Office** spent \$4.295 million or 31.5% of its 2009 Approved Capital Budget of \$13.637 million during the quarter ended March 31, 2009. The City Clerk's Office's

projected expenditures to year end are anticipated to be \$11.163 million or 81.9%. The projected under-spending is largely attributed to three projects: The Toronto Meeting Management System for City Divisions is a two years project, and the revised schedule results in that completion be extended from the 1<sup>st</sup> quarter 2010 to the 3<sup>rd</sup> quarter. The Lobbyist Registry System Development project is delayed to enable completion of the remaining outstanding deliverables from the original project. The Wedding Chamber renovations are slightly delayed at the design stage, and will be substantially complete by year-end.

***The Sustainable Energy Plan's*** actual expenditures for the three months ended March 31, 2009 totaled \$0.080 million or 0.2% of its 2009 Adjusted Approved Capital Budget of \$33.109 million. The Sustainable Energy Program's projected expenditures to year-end are estimated at \$20.531 million or 62.0% of the 2009 Approved Capital Budget of \$33.109 million.

The following projects are the principal causes of the projected under-expenditure:

- *Toronto Energy Conservation Fund and Green Fund* – loan applications that will be executed in 2009 totalling \$9.728 million of the \$21.800 million disbursements approved in 2009 have been received and processed. This program is strictly on a voluntary basis with the loan payments limited to a maximum of 49% of the total project cost, up to \$1.0 million. Participants must obtain the other 51% of project financing elsewhere which is challenging in the current global economic climate. The reduced demands for loans will result in \$12.178 million being carried forward to 2010.
- *The Energy Retrofit* projects including Public Health, and Children Services has had their project scope changed, and the projects will be completed \$0.330 million under budget; The Parks, Forestry and Recreation is project is experiencing delays in the Request for Proposal process resulting in \$0.070 million to be carried forward to 2010.

***The Union Station Project's*** actual expenditures during the quarter ended May 31, 2009 totalled \$1.680 million or 4.0% of the 2009 Approved Capital Budget of \$45.772 million. The 2009 Approved Capital Budget is projected to be 98% spent by year-end. The Union Station project consists of three main components: On-going State of Good Repair projects, New State of Good Repair projects as a result of the Building Condition Assessment and Service Improvement Projects.

Spending for the *On-going State of Good Repair* projects to March 31, 2009 totalled \$0.009 million or 0.02% of the 2009 approved cash flow. Work on the Pedestrian Bridge is currently underway and it is anticipated that approximately \$1.500 million will be spent by the end of June, 2009.



Spending for the *New State of Good Repair* projects to March 31, 2009 totalled \$1.489 million or 3.3% of the 2009 approved cash flow. The York Street expansion joint projects have been delayed due to co-ordination with GO Transit's work on the train tracks.

Spending for the Service Improvement Projects totalled \$0.181 million or 0.4% of the 2009 approved cash flow. The Union Station Security projects have been completed and expenditures will be reflected in the second quarter. The Loading Dock project has been delayed due to co-ordination with GO Transit's work on the train tracks but is expected to be completed by year end.

***The Radio Communication System Replacement Project's*** spending during the first quarter of 2009 totalled \$0.014 million or 4.5% of the 2009 Approved Capital Budget of \$0.312 million. The approved cash flow includes carry forward funding from 2008 of \$0.061 million. Actual spending to year-end is projected to be \$0.312 million or 100% of the 2009 Approved Capital Budget. Year -to-date spending is mainly attributed to external training at Motorola and Site preparation. The Radio Communications System Replacement Project is currently in the system design stage and is progressing. Spending in 2009 includes project management services, a fairness consultant, continuation of coverage analysis, and release of an RFP.

### **Agencies, Boards and Commissions (ABCs)**

For the three months ended March 31, 2009, actual capital expenditures for Agencies, Boards and Commissions collectively, totalled \$117.929 million or 10.0% of its 2009 Approved Capital Budget of \$1.180 billion (including 2008 carry forward funding). Capital spending for Agencies, Boards and Commissions is expected to increase to \$1.170 billion or 99.2% of their collective 2009 Approved Capital Budget by year-end. Spending performance, including explanations of significant variances for individual ABCs is summarized below:

<b>Agencies, Boards and Commissions</b>		
Q1 2009 Capital Variance (\$ Million)		
	<b>March 31, 2009</b>	<b>Projected Y/E 2009</b>
	% of Budget	% of Budget
Exhibition Place	27.3	100.0
Go Transit	100.0	100.0
Toronto And Region Conservation Authority	33.3	100.0
Toronto Police Service	11.0	85.0
Toronto Port Authority	100.0	100.0
Toronto Public Health	8.6	95.1
Toronto Public Library	17.9	100.0
Toronto Transit Commission	7.6	100.0
Yonge-Dundas Square	0.0	100.0
Toronto Zoo	10.1	90.7
Sony Centre (Hummingbird)	3.7	46.6
<b>Sub-Total</b>	<b>10.4</b>	<b>98.1</b>

*Exhibition Place's* capital expenditures for the three months ended March 31, 2009 totalled \$9.087 million or 27.3% of the 2009 Approved Capital Budget of \$33.320 million. The Program projects that the 2009 Approved Capital Budget will be fully spent by year-end, including the *Conference Centre* project with an approved cash flow of \$19.665 million.

*Go Transit's* 2009 Approved Budget is \$20.000 million. The City has paid \$20.000 million or 100% of its 2009 contribution toward GO Transit growth capital expenditures.

*Toronto and Region Conservation Authority (TRCA)* received \$2.089 million or 33.3% of its 2009 Approved Budget of \$6.268 million from the City of Toronto during the 3 months ended March 31, 2009. TRCA anticipates that the entire 2009 Approved Budget will be spent by year-end.

*Toronto Police Service's* capital expenditures for the three months ended March 31, 2009 totalled \$5.578 million or 11.0% of its 2009 Approved Capital Budget of \$50.736 million. The Program's projected expenditures to year-end are expected to be \$43.101 million or 85.0% of the 2009 Approved Capital Budget. The majority of the Program's projected year-end under spending is attributed to the following projects:

- The *Workstation, Laptop and Printer – Lifecycle Plan* project: - actual spending to year-end on this project is estimated to be \$3.000 million or 31.4% of the 2009 approved cash flow of \$9.555 million. The projected under spending is the result of lower than estimated costs to replace workstations, printers and laptops (over several years). The impact of the under spending on the lifecycle replacement plan is currently under review, and it is anticipated that a portion of the funding from the

Vehicle and Equipment Reserve will not be required and will impact future annual Operating contributions to the Reserve; and,

- Actual spending to year-end for *AFIS/Livescan/RICI Replacement* project is estimated at \$0.156 million or 48.2% of the 2009 approved cash flow of \$0.324 million. The projected under spending results from the decision to delay the purchase of a booking/mug shot system until the new Records Management System is selected. The current AFIS and RICI system will be upgraded to ensure full compatibility with the new RCMP system, and as a result this project is now projecting 2009 under spending of \$0.168 million.

**Toronto Public Health** spent \$0.488 million or 8.6% of its 2009 Approved Capital Budget of \$5.670 million for the three months ended March 31, 2009. The spending rate at year-end is projected to be 95.1% or \$5.390 million with the majority of the projects to be completed by year-end 2009. The completion of the following two capital projects will be deferred to 2010:

- *Public Health Surveillance and Management System project* will be delayed to coincide with the revised provincial timeline on the implementation of the new national public health information system; and,
- *Healthy Environment Inspection System project* is dependent on Toronto Building's e-Service capital project (by I&T Division) which has been delayed resulting in the a revised completion date of early 2010.

**Toronto Public Library (TPL)** spent \$4.135 million or 18% of its 2009 Approved Capital Budget of \$23.108 million during the first three months of the year. This spending rate is slightly higher than the level of expenditure in the same period in prior years. TPL is projecting to fully spend the Approved Capital Budget by the end of 2009 as all capital projects are proceeding as planned.

**Toronto Transit Commission's (TTC)** 2009 Approved Capital Budget of \$1.0 billion (including \$178.549 million carried-forward from 2008 and including the Toronto-York Spadina Subway Extension and Transit City projects) was \$76.6 million or 7.6% spent as at March 31, 2009. The TTC is currently addressing the unspecified reduction of \$47.096 million included in the 2009 Approved Capital Budget. Projects with significant projected variances at year-end are listed below:

- *Surface Track* work will be \$12.2 million under budget due to the deferral of tangent track work, although this will be partially offset by increased costs for track work on St. Clair.
- *Intelligent Transportation Systems* project will be \$9.1 million over budget as work on the Customer Information System, Next Vehicle Arrival, and the Wheel-Trans Information System is accelerated.

- *Other Buildings and Structures* project will be \$5.7 million under budget due to the renovation of the McBrien building and the LRT replacement maintenance and storage facility being behind schedule.
- The *Birchmount Bus Garage* repair bay modifications will be \$3.3 million under budget as a result of the deferral of the completion of construction to 2010.
- The *Yonge Subway Extension* project will be \$4.7 million over budget due to an increase in scope that will see the EA, conceptual design, staff office space requirements, yard space requirements and Bloor Station capacity study and design all being completed in 2009.
- The *Spadina Subway Extension* project will be \$41.4 million under budget due the deferral of engineering work and property acquisition.
- The *Transit City Plan* has funding budgeted only for the first quarter of 2009. Given the announcement of funding for the Finch and Eglinton lines in the 2009 Provincial budget, work on these Transit City sub-projects will continue in 2009. At present, the Transit City Project is projected to be \$34 million over budget; however the budget will be adjusted later in 2009 to reflect the increased Provincial funding.

***Yonge-Dundas Square*** did not incur any capital expenditure during the quarter ended March 31, 2009. It is anticipated that the 2009 Approved Capital Budget of \$0.145 million (including carry forwards) will be fully spent by year-end with the completion of the oculus steel grating project and the engineering work on the state-of-good-repair project.

***Toronto Zoo*** capital expenditures during the quarter ended March 31, 2009 totalled \$1.111 million or 10.1% of its 2009 Approved Budget of \$10.984 million (including additional 2008 carry forward funding). A majority of the 2009 planned projects are underway and expected to be completed by the end of the year. The Program is projecting a \$9.962 million expenditure or 91% of the 2009 Approved Budget by year-end. The projected year-end under spending of \$1.022 million is mainly attributed to the delay in fund raising for the Korean Gardens

***Sony Centre for the Performing Arts*** spent \$0.913 million or 3.7% of its 2009 Approved Capital Budget of \$24.904 million (including 2008 carry forward funding) for the period ended March 31, 2009.

The Program is projecting \$11.613 million or 46.6% of its 2009 Approved Capital Budget to be spent by year-end. The projected under-spending is attributed to delay in the closing of the real estate agreement with the condominium developer on the Sony Centre site. This projection is based on a June 2009 closing date which will then provide funding for the completion of the *Redevelopment Project*.

## Rate Supported Programs

For the year-end March 31, 2009, Rate Supported Programs' actual expenditures totalled \$32.469 million or 5.5% of their 2009 Approved Capital Budget of \$590.063 million. Capital spending for Rate Supported Programs is expected to increase to \$458.938 million or 77.8% of their collective 2009 Approved Capital Budget by year-end. Spending performance, including explanations of significant variances within this group is summarized below:

<b>Rate Supported Programs</b>		
Q1 2009 Capital Variance		
(\$ Million)		
	<b>March 31, 2009</b>	<b>Projected Y/E</b>
	<b>% of Budget</b>	<b>% of Budget</b>
Toronto Parking Authority	7.3	98.4
Solid Waste Management Services	2.2	85.4
Toronto Water	5.8	75.6
<b>Sub-Total</b>	<b>5.5</b>	<b>77.8</b>

**Toronto Water** spent \$28.908 or 5.8% million of its 2009 Approved Capital Budget of \$498.438 million during the period ended March 31, 2009. It is estimated that projected actual expenditures to year-end will be \$376.748 million or 75.6% of the 2009 Approved Capital Budget. The high rate of committed cash flow for 2009 is a result of construction proceeding on several large projects. Many contracts initiated in 2008 are now fully underway and will be completed by the end of 2009.

**Toronto Parking Authority's** capital expenditures for the three months ended March 31, 2009 totalled \$2.239 million or 7.3% of the 2009 Approved Capital Budget of \$30.495 million. Implementation for most of the construction projects is on schedule since a majority were planned to commence towards the end of the first quarter and into the second quarter of 2009. Suitable sites are still being sought for the new car-park projects. The Authority projects that it will spend \$29.995 million or 98.4% of the 2009 Approved Capital Budget by the end of the year.

**Solid Waste Management Services** spent \$1.323 million or 2.2% of its 2009 Approved Capital Budget of \$61.130 million during the quarter ended March 31, 2009. These amounts do not include additional 2008 carry forward funding of \$7.881 for which approval is requested in this report. Actual spending to year-end is projected to be \$52.195 million or 85.4% of the 2009 Approved Capital Budget.

Year -to-date spending is mainly attributed to the following projects:

- The *Diversion Facilities* project was 5% spent or \$1.3 million out of a total 2009 approved cash flow of \$27.9 million. Additional 2008 carry forwards of \$3.3 million have been requested. Spending of \$1.3 million was mainly attributed to roll-out of

single household recycling and residual waste carts. Various projects such as SSO Additional Processing Capacity, Additional Single Stream Processing Facility as well as Residual Waste Management Facilities, Reuse Centres, and SSO Multi-Unit Residential Containers, are in early planning stages. The projects are currently forecast to be 55% complete by year-end mainly due to the delay of projects for the Reuse Centre because of site determination and the Dufferin-Disco SSO Processing Facility which is delayed by a scope change with award of the Design-Build-Operate contract expected late in 2009.

- The Transfer Station Asset Management project was 2% spent or \$0.2 million out of a total 2009 approved cash flow of \$8.4 million. Spending is underway on various transfer stations at Dufferin, Victoria Park, Scarborough, Disco, Bermondsey and Commissioners. The projects are currently forecast to be 100% complete by year-end.
- The *Residential Collection* project was 0.1% spent or \$0.01 million out of a total 2009 approved cash flow of \$7.1 million. Spending of \$0.01 million was mainly attributable to the Yard Renovation project at Bermondsey which has a 2009 approved cash flow of \$4.5 million. The projects are currently forecast to be 100% complete by year-end.
- The *Green Lane Landfill* project with a 2009 approved cash flow of \$8.9 million had no expenditures during the first quarter of 2009; however, it is projected that the project will be completed by year-end.
  - The *Green Lane Development* project has a total 2009 approved cash flow of \$7.4 million and includes \$4 million for new cell excavation and base construction which is expected to start in May 2009. Additional 2008 carry forward funding of \$1.5 million has been requested. This amount is being carried forward to 2009 mainly due to delayed installation of gas wells and leachate control system
  - The *Buffer Land Acquisition* project has a total 2009 approved cash flow of \$1.5 million. One acquisition from 2008 was closed earlier this year. Additional acquisitions are planned for 2009. Additional 2008 carry forwards of \$2.6 million have been requested.

## **Technical and In-year Budget Adjustments (see Appendix 2)**

As detailed in Appendix 2, technical and budget adjustments are requested for various Programs and ABCs. The adjustments are required to reallocate funds to match cash flow requirements to the revised needs, adjust projects cash flows in order to offset 2-year carry forward funding requests and to accommodate change of scope projects.

### **Creation of SSHA 194 Dowling Avenue Acquisition project**

At its meeting of July 25, 2006 Council authorised payment for the acquisition of 194 Dowling as was recommended in the report entitled “Approval to Expropriate 194 Dowling Avenue (also known as 1495 Queen Street West) for the purpose of Developing Affordable Housing on a Derelict Housing Site (Ward 14 – Parkdale)”. This budget adjustment requests authority to create a project for purposes of acquiring the property.

### **Additional Carry Forwards (see Appendices 3.1 and 3.2)**

The City’s Carry Forward Policy permits City Programs, Agencies, Boards and Commissions to adjust their prior year carry forward requirements based on updated information after all year-end transactions identified and process. Appendices 3.1 and 3.2 detail additional 2008 and 2007 carry forward funding request by City Program and ABC.

2008 carry forward funding in the amount of \$203.993 is requested to continue work on 2008 approved capital projects. It is noted that reductions included in Appendix 3.1 are to correct overstated carry forward funding estimates already included in the 2009 Council Approved Capital Budget.

2007 and prior year additional carry forward funding requests total \$8.753 million with no incremental increase on debt, as detailed in Appendix 3.2. In accordance with the City's Carry Forward Policy, carry forward funding for projects approved two or more years earlier, have been treated as new; and to ensure that the approved debt limits for 2009 were not exceeded, other approved capital projects were appropriately adjusted.

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## **SIGNATURE**

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Cam Weldon  
Deputy City Manager and Chief Financial Officer

## **ATTACHMENTS**

- Appendix 1 - Consolidated Capital Variance Report for the Quarter Ended March 31, 2009
- Appendix 2 - Budget and Technical Adjustments
- Appendix 3.1 - 2008 Carry Forwards Funding Adjustments
- Appendix 3.2 - 2007 Carry Forwards Funding Adjustments